



**Date:** March 31, 2013

**To:** Councilmember Jean Godden, Chair  
Libraries, Utilities, and Center Committee

Councilmember Mike O'Brien, Chair  
Energy & Environment Committee

**From:** Jorge Carrasco, Superintendent  
Seattle City Light

Ray Hoffman, Director  
Seattle Public Utilities

**Re:** Joint response to Council SLI 33-1-A-1

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## Summary

Pursuant to Statement of Legislative Intent (33-1-A-1), Seattle Public Utilities (SPU) and Seattle City Light (SCL) staff looked at the effects on the rate of bill delinquencies from the timing of billing cycles and minimizing monthly and seasonal peaks in bills. Responses to the questions raised in the SLI are as follows:

### **1. Describe the relationship between due dates for SPU and SCL bills and delinquency of those bills, including any seasonal variation in that relationship.**

Bill due dates for both SCL and SPU are determined based on when bills are generated, which, generally, is tied to when the meters are read. Most residential customers are billed bi-monthly, with an exception for SCL customers who are served by the downtown area network, including a few residential and most commercial customers, they are billed monthly. Due dates for all bills are 21 calendar days after the bill statement date. However, unresolved meter reading exceptions may result in delays in billing.

Delinquency determinations are based on pre-identified delinquency rules by the delinquency code assigned to the account (e.g. monthly versus bi-monthly, residential versus commercial, accounts on rate assistance or budget billing, etc.). Not all delinquencies are assessed late fees

and/or penalties. Late fees and/or penalties are based on the length of time the outstanding balance is past due and the actual delinquent amount.

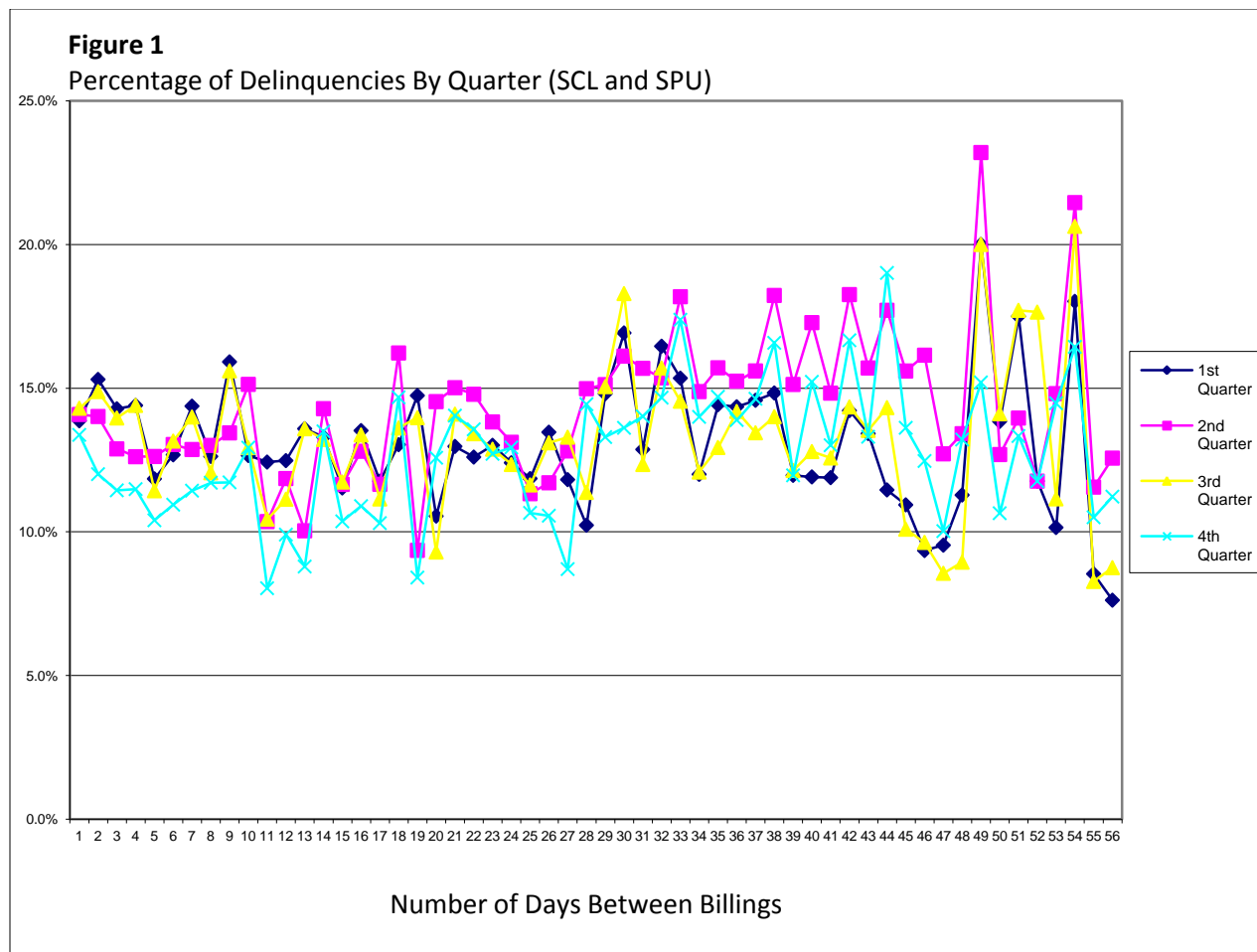
Additionally, the delinquency rules for SPU and SCL differ. For example, when the electricity is shut off, SCL allows customers to pay 50% of the past due balance to get service restored. In the case of a water shutoff, SPU requires payment of 100% of the past due balance.

Both SCL and SPU delinquency rules contain specific financial expectations of customers to satisfy their debt. SPU delinquency begins once a customer's past due balance is greater than or equal to \$300. Customers who meet SPU's delinquent dollar threshold receive two notices prior to shut off. The urgent notice requires customers pay 50% of the past due balance and make a payment arrangement on the remaining balance. The final shut off notice requires customers pay 75% of the past due balance and make a payment arrangement for the remaining balance. If the water is shut off, SPU requires the customer to pay 100% of the past due balance before water service can be restored.

SCL begins its delinquency process when a customer reaches a past due balance of \$250. While the utility tries to collect the whole amount when negotiating a payment arrangement, it will accept a lesser amount, up until the point when a customer has been disconnected. SCL may restore power if a customer has paid 50% of the balance due and set up a payment arrangement for the remaining balance. Both utilities are engaged with one another to improve consistency of business policies/processes and will evaluate and put in place best practices as part of the new billing system implementation.

As for any "seasonal variation", the bill periods for both SPU and SCL tend to be longer in the winter billing months, usually falling within 58 and 67 days of service, on average. Due dates are similar for customers with both SCL and SPU accounts if their respective utility meters are read at approximately the same time. Strictly speaking, SPU does not have the same seasonal variation in bills as SCL. See Question #3 for more information.

There appears to be an inverse relationship between similar due dates for SPU and SCL bills and delinquency. As the Figure 1 indicates, the delinquency rate is lower for the customer group that has fewer days between receiving each of their utility bills and the highest delinquency rate is within the group of customers with the most time (alternating months) between bills. This is important because increases in the number of days between billings may result in higher rather than lower delinquency rates and cost the utilities more.



**2. Identify ways to decouple billing cycles so that a bill for two months of SPU service is due one month and a bill for two months of City Light services are due in the next.**

To bill customers in alternate months for each utility would require a change in the meter reading schedule. Because SCL is a single service, it would make the most sense for SCL to adjust its meter reading schedule rather than SPU. Changing the reading schedules to accommodate the billing cycle change and balancing the reading routes would require some planning on the utility's part. This balancing could be done manually or through the use of a software tool called "Route Smart" that right sizes routes for efficiency and effectiveness. Approximately 35,000 (or 9%) SCL customers would experience a reading / billing schedule change.

SCL attempted to manually balance its reading routes a couple of years ago when some routes became too long. This happened as the result of growth over time. It took many months to make some adjustments and was not a comprehensive solution. Attempting this manually again would take more time and would not necessarily capture all of the impacts associated with changing reading routes. Even slight changes to a route can significantly change the time it takes to read a route.

City Light purchased the Route Smart software that works with the utility's ITRON handheld meter reading devices last year. Route Smart is in phase two of the project and its implementation will effectively 'right size' the meter reading routes for efficiency. The utility began implementation but due to resource constraints full implementation will not be completed before the end of the 3<sup>rd</sup> quarter this year.

**3. Discuss the benefits and challenges of more widespread use of budget billing – a SCL and SPU service that averages bills over the year so that the customer receives uniform monthly bills – and whether budget billing could play a larger role in avoiding bill delinquencies.**

Budget billing offers predictability, provides for more even cash flow for utility planning, and increases customer satisfaction. Customers on budget billing receive a bi-monthly statement showing the actual costs with a requirement to pay the agreed to amount by the due date. An additional notice is mailed to remind customers to make their monthly payment. Extra administrative work is required to manually track the billing when customers become delinquent on their budget billing balance and are dropped from the program. Customers that fall behind and are dropped from the program for non-payment are required to pay the entire outstanding balance.

Many SCL customers experience fluctuations in bills due to seasonality, and for these customers in particular budget billing can be helpful. Moreover, customers on budget billing are exempt from delinquency so long as they make required payments. The challenge with budget billing is that accounts are balanced once a year based on the average of the prior year's customer's consumption. A number of SCL customers have experienced "sticker shock" when their next year's payment is adjusted significantly higher for their previous year's consumption. SCL has approximately 10,100 residential customers on budget billing.

SPU does not have the same fluctuation in bi-monthly bills as SCL due to the flat charges for solid waste services and seasonal sewer rates which reduce the impact of seasonal water usage on the total amount billed. Consequently, approximately 200 SPU customers use this option.

**4. Provide a progress update on SCL's data analysis of delinquent bills and how subsequent outreach is working toward reduced bill delinquency and increased assistance to low-income customers.**

SCL's delinquency rate is down overall for a number of reasons. First, through its low-income outreach efforts, SCL is working aggressively to connect customers with the appropriate assistance programs. Initially launched as a pilot in September of 2012, SCL formed a work group dedicated to increasing enrollment in its Rate Assistance Program. Several employees were assigned to help with outreach, enrollment and field auditing (to help with energy conservation efforts). As of mid-March 2013, SCL had contacted more than 4,800 customers yielding 3,080 applications. In addition, SCL initiated a business process improvements effort to improve delinquency processing and reduce outstanding debt through support of effective credit practices. This resulted in customers being better equipped to manage their electric bills.

One of the concerns SCL hears from its customers is "how could you let my bill get so high?" Sometimes offering options such as extended payment arrangements may, in fact, be putting the customer in a more difficult situation in meeting their utility bill obligations. By lowering the threshold amount for disconnection, sending timely reminders and encouraging customers to pay the whole amount when due has helped reduce SCL's delinquency numbers. And for those customers needing assistance, sending a shutoff notice sooner has proven to assist them in finding help when issues are still manageable and adequate resources are available. In fact, as of February 2013, SCL has had its lowest amount of active past due accounts since 2002.

SCL's outreach efforts cover SPU customers as well. Once a customer is determined to be eligible for the Utility Discount Program (UDP), SPU is notified and their account is adjusted accordingly. SPU has an Emergency Assistance Program (EAP) which mirrors the UDP in eligibility requirements. When a customer contacts SPU regarding a delinquent bill, the agent gives options which include the EAP program should they be eligible.

In conclusion, it initially seemed there might be a correlation between customers who receive both of their utility bills at the same time and an increased delinquency rate for these customers. However, the analysis shows that this is not the case. Both SPU and SCL are committed to helping customers effectively manage their utility bills. In addition to the resources available for customers who are struggling to pay their bills, the utilities are committed to making changes in the billing cycles once the Route Smart Software is installed this year to ensure customers are not receiving both utility bills less than seven days apart.